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AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

OFFICE OF THE AUDITOR GENERAL

AREA AUDITOR GENERAL/EAST ASIA

AUDIT REPORT

UNITED STATES A.I.D. MISSION TO VIETNAM (USAID/VN)

LABOR SECTOR ACTIVITIES

Period covered: July 1, 1966 to June 30, 1973
Audit Report No. 9-730-74-35
Date report issued: November 28, 1973

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AUDIT REPORT

UNITED STATES A.I.D. MISSION TO VIETNAM (USAID/VN)

LABOR SECTOR ACTIVITIES

Part I - Purpose and Scope

This is our initial audit of the Labor Sector. The audit was performed to determine: (a) the effectiveness of sector plans, (b) the extent to which such plans were successfully implemented and (c) the impact of such plans and accomplishments on the Vietnamese labor-manpower sector.

To the extent of available records, we reviewed: (a) USAID programming documents, financial records, contracts, end of tour and Mission evaluation reports; (b) contractor records such as progress reports, consultant's reports and correspondence and (c) Ministry of Labor reports. We also discussed the program with USAID, contractor, Government of Vietnam (GVN) and International Labor Organization (ILO) officials. The review was made from July to September 1973 and covered the USAID/VN sector program and activities since their inception. Appropriate consideration was given to related prior audit reports issued by the AAG.

Part II - Background

Historically, Vietnam has lacked the elementary data on which to base a manpower development program, therefore, USAID/VN agreed to finance the technical assistance and advisory services necessary to assist the GVN in the development of a plan for a comprehensive labor-manpower development system.

To accomplish this objective, USAID/VN initiated two projects specifically designed for the development of human resources:

Manpower Development (Project No. 730-15-460-327) and Trade Union Development (Project No. 730-15-410-328). In addition, USAID provided financial support to this sector thru a technical support project (Project No. 730-11-499-377).

The Manpower Development Project, initiated in 1966, was concerned with assisting the GVN in mobilizing manpower resources to produce skills needed to fill gaps left by military mobilization and the new skills required to support military operations. Since cessation of hostilities, the objective has been to create at a national level a

mechanism to determine and coordinate national manpower policies and activities and to establish within the Ministry of Labor (MOL) a capability to plan and manage manpower resources. The project shows expenditures totalling $4.0 million and VN$200 million (Exhibits A and B) as of June 30, 1973. Although initially scheduled for termination at the end of FY 1975, the project was terminated on June 30, 1973.

The objective of the Trade Union Development Project is to make available to the Vietnamese labor movement benefits (political and financial) that accrue to labor when a strong democratic labor movement has been institutionalized. Briefly, specific project goals are:

a. Strengthen the quality of leadership in unions and increase membership.

b. Assist in the development of union cooperatives and credit unions.

c. Promote circulation of labor publications that enhance education.

d. Assist in the establishment of a dockworkers hiring hall which would ensure an equitable distribution of work.

Project expenditures totalled $822,000 and VN$144 million (Exhibits A and B) as of June 30, 1973.

AID contracted with the Asian-American Free Labor Institute (AAFLI), an agency of the AFL-CIO, to undertake the major portion of project activities.

Since most of the objectives to be accomplished under this project were the responsibility of AAFLI and over 50 percent of the funds obligated are for the AAFLI contract, our review will concern itself primarily with the contractor's performance. A separate audit is being concurrently conducted covering the financial aspects of the contract.

The contractor began working in FY 1968. Mission funding for the current contract task order amendment is scheduled to terminate June 30, 1974. The principal Vietnamese organization with which the contractor has worked is the Vietnamese Confederation of Labor (CVT). The CVT is the largest association of trade unions in Vietnam. It's membership cuts across regional, religious, ethnic and political lines.

USAID/VN also provided $466,000 under the Labor Technical Support project (Project No. 730-11-499-377) and an additional VN$42 million for local support costs related to the Trade Union Development Project.

Since 1966 USAID/VN has expended $5.3 million and VN$387 million in the Labor Sector, Exhibits A and B.

Prior Audits

There were six prior audits related to the activities covered in this audit. The audit reports contained ten recommendations all of which have been closed.

Part III - Summary

USAID/VN is encouraging other sectoral designations (education, agriculture, etc.) to include manpower policy determinations in their planning efforts.

We found that (a) in Manpower Development many of the objectives were accomplished; however, the results were not always utilized effectively. Personnel trained for specific services were not retained and survey data were not always reliable, (b) in Trade Union Development, the objective of increasing union membership has not as yet been achieved, (c) the performance of AAFLI was satisfactory in meeting most of its objectives; however, the contractor did not provide the number of advisory man-months as originally planned because the Chief of Party (COP) was absent from Vietnam for long periods of time.

The draft report was circulated to senior management officials of the USAID for comment and review on November 14, 1973. Their comments received on November 20, 1973 were considered in finalizing this report.

PART IV

STATEMENT OF FINDINGS AND RECOMMENDATIONS

For the Office of the Director, USAID/VN

A - U.S. AND THIRD COUNTRY CONTRIBUTIONS

For the period July 1, 1966 thru June 30, 1973, AID expended over $5.3 million and VN$387 million for labor and human resource development, Exhibits A and B. In addition to USAID/VN assistance, we found evidence that the Department of Defense (DOD) and some foreign donors had contributed resources to Labor Development. We were unable to identify specific amounts of external assistance because details of such contributions were not available at the USAID or GVN offices.

The Chief of the Labor Division (A/ADLAB) informed us that the USAID is encouraging the GVN to undertake a broad policy-making role in manpower development and to place labor requirements under a functional delineation (e.g. Agriculture, Education, etc.).

B - ACCOMPLISHMENTS

1 - Manpower Development

a. Planning, Coordination and Direction

Objectives: (a) Create a National Manpower Committee (NMC) to determine and coordinate national manpower policies and activities, (b) Incorporate manpower planning within the national economic development plan; (c) Initiate a national occupational classification system. The committee was to function through a staff of trained technicians.

We found that (a) a national level committee had been established but the committee still lacks the technical staff to function properly and coordinate labor related activities among the various ministries. In this respect, the committee has not been effective; (b) manpower considerations still do not receive adequate attention in national economic development planning, and (c) a national occupational classification system has not been completed.

b. Research and Statistics

Objective: Develop the capability of the Ministry of Labor (MOL) to collect, analyze, disseminate and use statistics for manpower planning.

Although the MOL has published reports on employment and wages, performed occupational surveys, and trained staff members in Saigon and the provinces, we found that the survey statistics are not completely reliable. We also found that trained staff members had not been retained by the MOL because of the military draft and more lucrative employment in commercial firms. However, staff retention during the past year has improved.

c. Employment Service

Objective: Build a modern employment service.

The nucleus for a modern employment service was created. A model placement office was established in Saigon, the placement office staff received training, new forms and instructions were put to use and some provincial offices were staffed. However, the employment service cannot function effectively without reliable labor market information, a national occupational classification system and substantial management and budgetary support from the GVN.

d. Skill Training

Objective: Develop skills training programs for Vietnam.

The skills training program has been successful. A model training center was established by the MOL at Gia Dinh, instructors trained, course curriculums developed and sound apprenticeship programs were in operation.

e. Labor-Management Relations

Objective: Improve labor-management relations.

A definitive statement as to the degree of success cannot be made because objective achievement is constantly in a state of flux. However, all the tangible objectives have been achieved: a draft of a labor law was prepared, arbitration seminars were held, a labor advisory board established and industrial relations exhibitions were held.

f. Participants

Participant training has been successful. As of June 30, 1973, $298,000 has been obligated to train 67 participants. Fiftyfour participants returned to jobs for which they were trained, 9 are still undergoing training in the U.S. and 4 were selected for training but were awaiting transportation authorization.

2 - Trade Union Development

a. Implementation and Accomplishment

The major activity of this project was the AAFLI contract. The contract outlined a variety of responsibilities. The following are the more important tasks: (a) advise and assist in the development and administration of trade union programs, (b) hold formal training courses, (c) finance an intern program, (d) provide working capital to cooperatives and finance agricultural commodity purchases, (e) make feasibility studies of areas that would assist union development, and (f) assist in the establishment of a waterfront hiring hall.

We found that almost all of the activities were successfully accomplished except for the level of advisory services to assist in development and administration of trade union programs, and the establishment and the utilization of the hiring hall.

The required number of training courses were held for the subjects stipulated in the contract (Trade Union Leadership and Administration, Cooperative Organization and Administration and Vehicle Maintenance) at a cost of approximately VN$91 million; VN$5 million has been loaned to two cooperatives out of working capital fund of VN$6 million; four feasibility studies were undertaken and three have been completed. As a result of the studies, a printing shop was modernized, the organization to manage the hiring hall was assembled and a cooperative development department was established in the CVT. The fourth study, concerned with the establishment of a fishing cooperative, is still in process.

The hiring hall was successfully organized but the hall is not utilized to its fullest extent because shipping activity has decreased with the phase-out of the American military effort in Vietnam and GVN military personnel have taken some civilian jobs.

During FY 1972, AAFLI's Director (Chief of Party) was absent from Vietnam for 144 man-days. Both the USAID Contract Representative and the CVT Vice President expressed their dissatisfaction with the contractor's advisory efforts during that period. The USAID Contract Representative made his opinion a matter of record in his 1972 evaluation of the contractor's performance. The CVT Vice President verbally expressed his dissatisfaction to the auditor during the course of the audit. This situation improved temporarily with the arrival of a new COP on August 29, 1972. The situation again deteriorated with the departure of the new Director on January 18, 1973. There was no COP from January 18 to June 30, 1973. Since August 1973, a new COP has been in Vietnam and his staff is scheduled to be augmented by two additional advisors.

In addition to his other activities, the contractor is permitted to purchase certain commodities in quantities not to exceed specified amounts for his own and project use with contract funds. We found that the contractor had purchased 65 tractors for VN$20,359,121 (Exhibit C), 300 sprayers for $11,553, and office equipment and tools for $16,083 (Exhibit D). A number of items which the contractor was permitted to buy, such as marine engines, water pumps and grain harvesters were not purchased. We were informed by the Chief, ADLD/LAB that the priorities of the cooperatives and unions had changed since the list had originally been prepared, and some of the items will not be purchased. A revolving fund established from the sales proceeds of tractors and sprayers sold through the CVT and Tenant Farmers' Federation (TFF), a CVT affiliate union, to user cooperatives will be used to purchase other needed equipment.

We found that: (1) the tractors and the sprayers were sold by the contractor to the TFF who in turn sold them to 10-family groups; (2) sales proceeds were used to establish a revolving fund; and (3) the fund was administered satisfactorily.

We also found that the office equipment and tools were distributed to many unions and cooperatives on a grant basis in accordance with Task Order provisions.

Our field trips to Chau Doc, An Giang and other areas disclosed satisfactory utilization of commodities sold or granted.

b. Project Objectives

Essentially the project was intended to build a stronger, larger and more effective free labor movement. The latest figures obtained from ADLD/LAB show that the estimated trade union membership in 1969 was 376,000. The 1973 estimate is 323,329 (Exhibit E). The 1973 figure compares unfavorably with the anticipated membership figures of 600,000 to 700,000 shown in the Project Budget Submissions (PBS) for FY 1972 and 1973.

The Chief, A/ADLAB explains the overall decrease as follows: (a) the decrease in the TFF resulted in part from a decrease in the availability of fertilizer sold to members through the Federation and partly due to the success of the Land Reform Program which converted tenant farmers into land owners. Changes in national policy made it impossible for the CVT/TFF to import fertilizer without financial loss. Some TFF members feel that the Federation is no longer providing the assistance they need (namely, providing fertilizer cheaply); (b) membership in the Plantation Workers Federation decreased because most of the plantations are in Viet Cong-controlled areas and (c) the membership in the Fishermen's Federation show decreases because the

Federation reorganized, throwing out a corrupt leadership which had inflated membership statistics and the reason for a recent increase in membership was eliminated. During the hostilities many fishermen joined the Federation to protest the fouling of the fishing waters around Vietnam by military vessels. This situation was rectified with the withdrawal of military shipping after the cease fire.

Although union membership has decreased in absolute terms, membership has grown in the transportation and industrial workers sectors. The AAFLI representative and the USAID Chief of the Labor Division state that growth in both of those sectors has helped increase trade union influence in the national government as well as in the international labor movement. This, they consider an important project achievement.

The current (1973) union membership (323,329) constitutes about 25 percent of the non agriculture and non government work force. The Chief, A/ADLAB told us that this percentage compares favorably with U.S. unionization.

Another vital project objective was to assist in the establishment of free labor unions. The AFL-CIO has raised the issue of government encroachment on union independence on at least two occasions. We were told by the Chief, A/ADLAB that the trade unions are generally supporters of the present GVN administration and are therefore, in turn, supported by the administration. The Chief, A/ADLAB recognized that some attempts were made by factions of the administration's political party to build their own power structure in the labor movement, however, in recent months this pressure has somewhat abated.

The Chief, A/ADLAB told us that at this time (1973) he did not consider communist infiltration a serious threat to the free labor movement.

c. Participants

As of June 30, 1973, $41,000 was obligated to train 75 participants. 74 participants returned to jobs for which they were trained, one is still in the U.S. undergoing training. The participant currently in the U.S. is due to return in February 1974.

USAID/VN (LABOR SECTOR ACTIVITIES) EXHIBIT A

Labor Sector Activities
Summary of U.S. Dollar Expenditures
For the Period July 1, 1966 through June 30, 1973
(000 Omitted)

Description	Manpower Development 730-15-460-327	Trade Union Development 730-15-410-328	Labor Technical Support 730-11-499-377	Total
Expenditures:				
Personnel	$ 993	$298	$447	$1,738
Contracts	2,548	475	-	3,023
Participants	298	41	-	339
Commodities	140	-	12	152
Other Costs	5	8	7	20
Total	$3,984	$822	$466 1/	$5,272

Explanatory Note:

1/ Project terminated on July 1, 1970.

Labor Sector Activities
Summary of Piaster Expenditures
For the Period July 1, 1966 through June 30, 1973

		Funds			
		Trust	American Aid	Procurement	Total
Expenditures:					
Trust Fund					
Trade Union Development Project No. 730-15-410-328					
Contract:					
Asian American Free Labor Institute, Inc. Contract No. AID/csd-1882 (T.O. #1)		VN$144,525,707	VN$ -	VN$ -	VN$144,525,707
Manpower Development Project No. 730-15-460-327					
Contracts:					
Education Consultants, Ltd. Contract No. AID 430-2841	VN$57,456,269				
American-Asian International, Inc. Contract No. AID 730-3111	78,521,814				
American-Asian International, Inc. Contract No. AID 730-3458	64,345,200	200,323,283	-	-	200,323,283
American Aid Chapter Funds - Contribution to Ministry of Labor for Human Resources Development			41,500,873		41,500,873
Local Procurement Fund - IBM Data Processing Services				796,189	796,189
Total		VN$344,848,990	VN$41,500,873	VN$796,189	VN$387,146,052

Labor Sector Activities
Schedule of Local Currency Commodity Purchases and Distribution
As of June 30, 1973

Item Description	Quantity	Cost	Distribution
Tractors	65	VN$20,359,121	Tenant Farmers Federation
Total Local Currency Costs		VN$20,359,121	

Labor Sector Activities
Schedule of Dollar Commodity Purchases and Distribution
As of June 30, 1973

Item Description	Quantity	Cost	Distribution
(4) Typewriters	18	$ 3,431	Various Unions
(5) Photo Copying Machine	1	1,781	AAFLI
(2) Duplicators	22	6,755	Various Unions
(1) Sprayers	300	11,553	Tenant Farmers Federation
(3) Sets of Tools	4	3,460	Various Unions
(6) Megaphones	25	656	Various Unions
Total		$27,636	

Labor Sector Activities
Comparison of Union Membership Estimates

	Estimated Membership 1973	1969
Tenant Farmers Federation	95,000	180,000
Plantation Workers Federation	9,000	16,000
Transport Workers Federation	70,000	20,000
Fishermen's Federation	29,500	70,000
Industrial and Commercial Union	119,829	90,000
Total	323,329 2/	376,000 1/

1/ Estimate obtained from ADLD/LAB.

2/ Estimate based on September 1973 CVT convention.

Distribution of Report

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Office of Vietnam Affairs (AA/SA/VN)	1
Office of Management Operations (AA/SER/MO)	1
Inspector General of Foreign Assistance (IGA/W)	1
OTHER	
General Accounting Office (GAO)/Saigon	1
Inspections and Investigations Staff (IIS)/Saigon	1